



The Real Estate TRENDS

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TRENDS in the real estate field are still inconclusive. In spite of the long-term inflationary outlook, real estate does not yet seem poised for a takeoff. While there seems little question that real estate 10 years from now will sell for more than it sells for today, the outlook for 1962 and 1963 is not too clear.

One of the most difficult of all real estate figures to compile is the number of real estate foreclosures. One of the greatest difficulties lies in the fact that the foreclosure laws in the various States are quite different, and even the type of indebtedness varies from State to State.

Almost all States use a first mortgage, but in some States the deed of trust has almost entirely displaced the mortgage as an instrument to implement a loan.

Some States require a long period of default before foreclosure action can be started; others a very short period.

In some States a foreclosure sale is irrevocable; in others there are redemption periods of varying lengths.

In States having rather stringent and expensive foreclosure provisions, many sales are made on contract, in which case a deed is not issued until a certain percentage of the indebtedness has been paid off, and then the contract is replaced with a mortgage or a deed of trust. If the purchaser defaults on his contract, he does not secure a deed to the property, but in most places there is no way of getting accurate statistics on the number of lapsed contracts, which, to all intents and purposes, are the equivalent of foreclosure.

Quite frequently, particularly in periods of considerable distress, property owners will voluntarily transfer equities to a mortgage lender when it becomes apparent that foreclosure is inevitable. It is quite difficult to spot these transfers in lieu of foreclosure. For these and other reasons foreclosure statistics generally understate the actual situation.

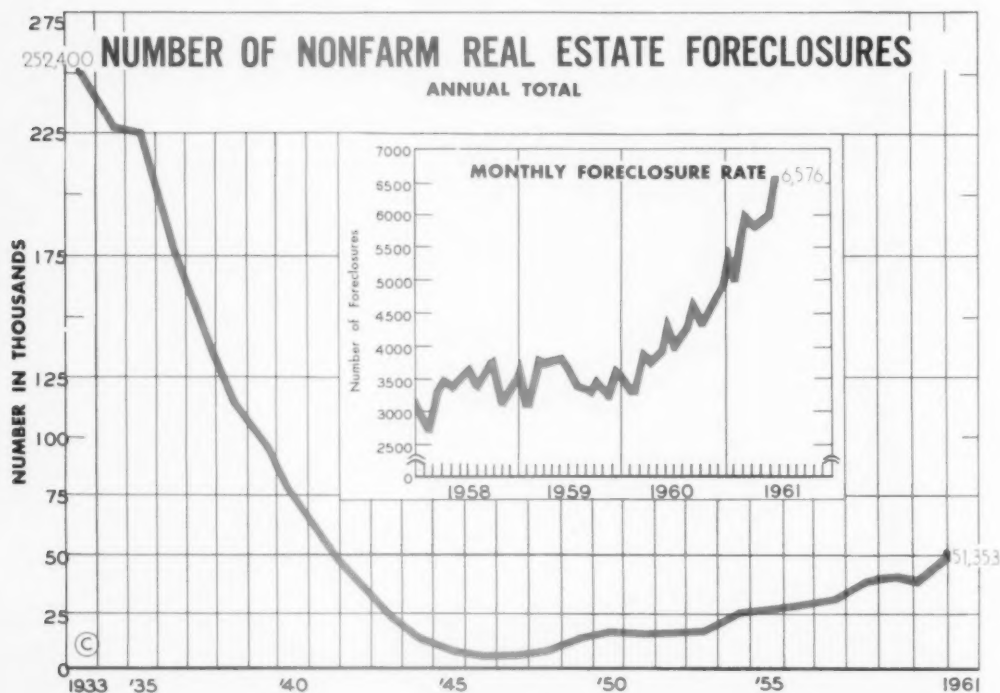
The chart on the following page shows the number of nonfarm real estate foreclosures from 1933 through 1960 on an annual basis, and the number of

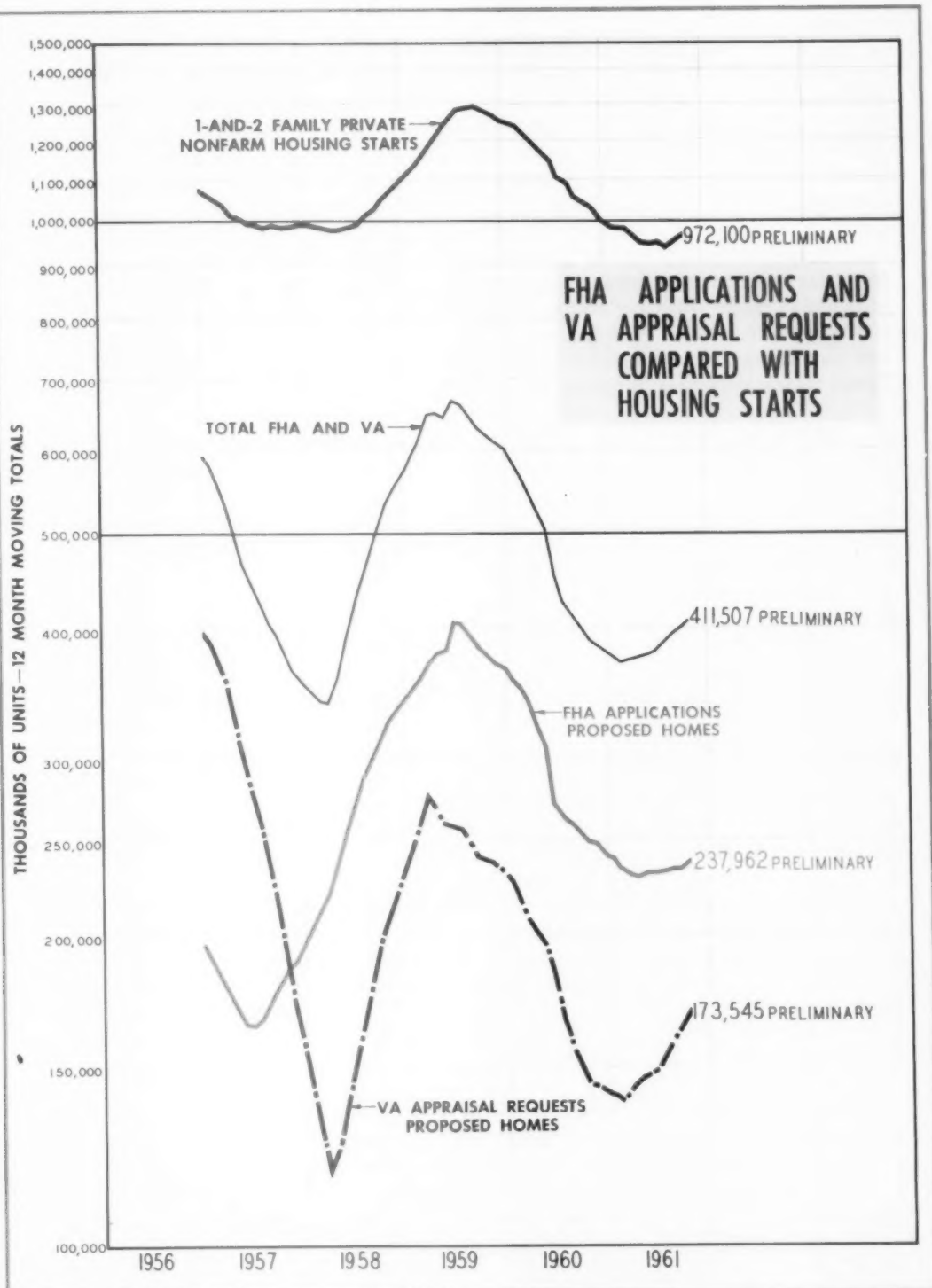
foreclosures per month from 1958 through the first six months of this year on the smaller insert chart. The rapid rise during 1960 and 1961 is quite disturbing, although foreclosures are still at a relatively low level. If the present rate continues, it looks as if foreclosures may reach 80,000 by the end of the year. In comparison with the peak of 1933, this is still a relatively small number, but compared with the levels of 1946 and 1947, it is a rather striking rise, which has been accelerating. A reversal in general business trends could cause foreclosures to rise still more rapidly, particularly if accompanied by stable or falling construction costs and fairly heavy unemployment.

In contrast with the rather dismal foreclosure picture is the outlook for new construction. There seems to be little doubt that in 1962 all types of construction will exceed the levels of 1961 and, in fact, of all preceding years. Some forecasts on construction volume for next year run as high as 7 percent above the level of 1961. Whether these forecasts are realized or not will depend on the general business revival and on the ease of credit.

It seems now as if private housing starts will continue at about their current level on a seasonally adjusted basis. This will be above the first half of 1961, but will not be as great as some more optimistic forecasts for 1962 would lead us to expect.

(cont. on page 594)





(cont. from page 592)

During 1962 there will be some increase in construction costs, but the increases will not be great. Financing will get increasingly more difficult as the year progresses, with a slight firming of interest rates. With the probability of some slight increases in construction costs and in interest rates and financing costs, this might be a good time for the man who wants to build to let contracts.

A constantly increasing percentage of residential building during the last few years has been going into multifamily buildings. During 1961 we will probably build more dwelling units of this multifamily type than we have built in any year since 1928. Increasing vacancy in 1962, if business conditions are not auspicious, may dampen the enthusiasm of builders in their building of space which they have difficulty in renting.

The table below shows the percentage of private nonfarm dwelling units built since 1958 which were one-family, two-family, or three-family or more:

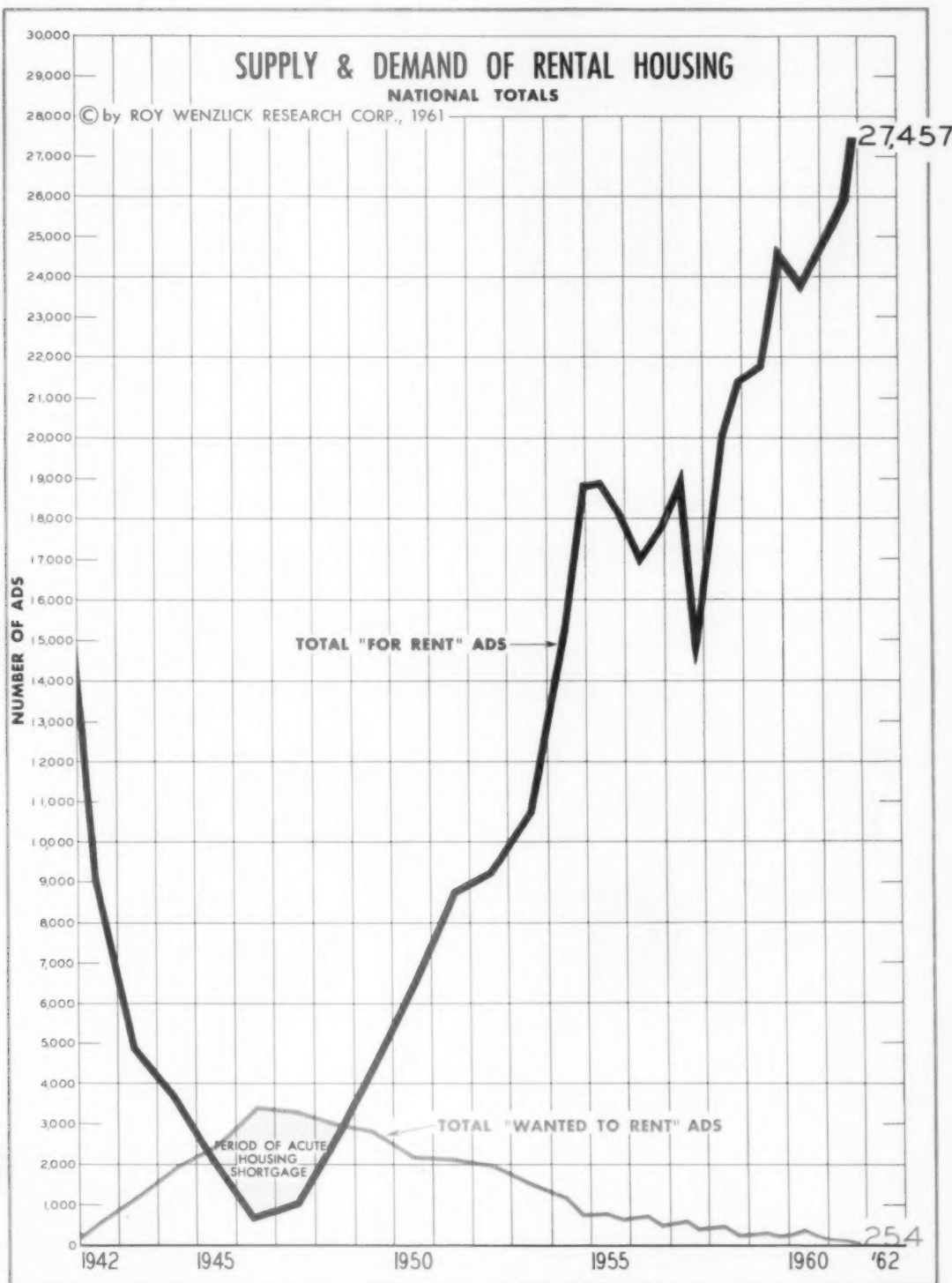
	<u>One- family</u>	<u>Two- family</u>	<u>Three-family or more</u>
1959.	81%	4%	15%
1960.	79	4	17
1st 9 mos. 1960	80	4	16
1st 9 mos. 1961	75	3	22

The chart on page 593 shows FHA and VA applications for loans compared with the volume of one- and two-family nonfarm housing starts. The chart would indicate that the increasing volume of building in 1958 and 1959 was due largely to the easing of credit terms on FHA and VA mortgages. The fact that VA and FHA applications have again turned up would probably indicate that one- and two-family private nonfarm housing starts will continue up from the low they experienced in the early fall.

The chart opposite shows our charting of newspaper advertisements advertising dwelling units for rent and the number of advertisements appearing of persons wanting to rent. We have counted these advertisements in the newspapers of the principal metropolitan areas since 1940, and there is now a larger number of "For rent" ads appearing than there has been at any time since we started our counts. Conversely, the number of "Wanted to rent" ads is at a new low since our ad count started in 1940.

This chart to us would indicate that there is no longer any urgency in the housing demand, and that new building will be more difficult to stimulate than it was a few years ago. We still believe, however, that buildings built for rent will be absorbed by our growing population, but the builder should provide for an extended period during which time the properties are renting rather slowly.

(cont. on page 598)

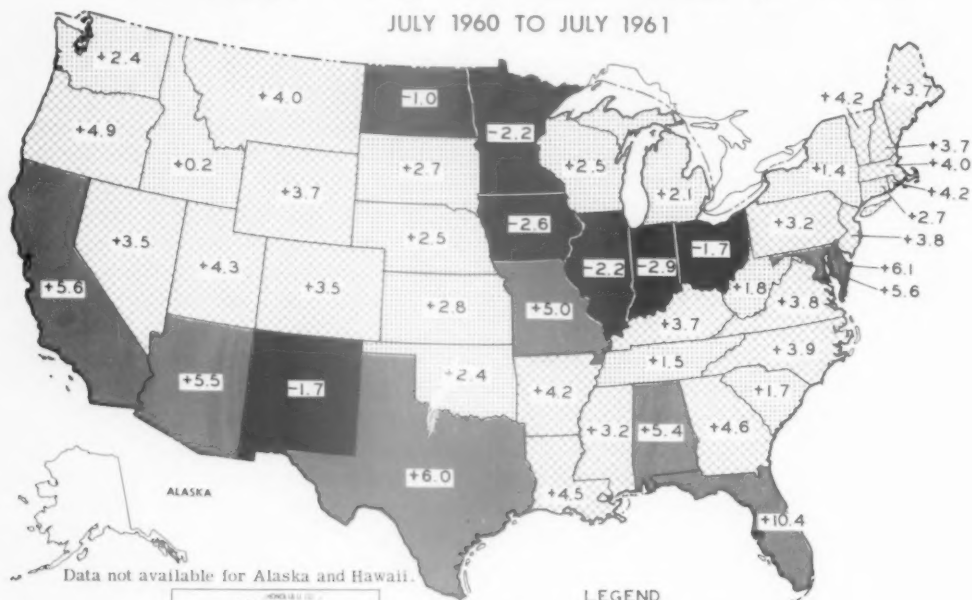


FARM VALUES PER ACRE BY STATES
U. S. Department of Agriculture Estimates

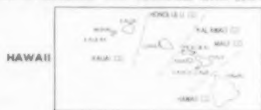
	July 1960	July 1961	% Change		July 1960	July 1961	% Change
Alabama	\$ 92.83	\$ 95.93	+5.4	Nevada	\$ 38.44	\$ 39.84	+3.5
Arizona	76.74	83.73	+5.5	New Hampshire	103.98	107.48	+3.7
Arkansas	107.55	112.02	+4.2	New Jersey	537.53	559.23	+3.8
California	390.35	429.66	+5.6	New Mexico	29.48	29.05	-1.7
Colorado	56.68	58.69	+3.5	New York	104.71	143.38	+1.4
Connecticut	421.05	432.23	+2.7	North Carolina	194.42	202.15	+3.9
Delaware	243.04	262.18	+6.1	North Dakota	53.11	52.60	-1.0
Florida	234.68	259.02	+10.4	Ohio	244.73	248.48	-1.7
Georgia	102.61	106.88	+4.6	Oklahoma	86.17	87.96	+2.4
Idaho	127.25	127.59	+0.2	Oregon	96.21	102.31	+4.9
Illinois	316.71	309.71	-2.2	Pennsylvania	184.92	194.04	+3.2
Indiana	262.00	255.47	-2.9	Rhode Island	412.47	437.43	+4.2
Iowa	247.59	240.44	-2.6	South Carolina	142.28	145.16	+1.7
Kansas	99.92	102.02	+2.8	South Dakota	52.68	54.35	+2.7
Kentucky	132.63	134.14	+3.7	Tennessee	135.91	136.98	+1.5
Louisiana	178.51	191.13	+4.5	Texas	87.97	93.60	+6.0
Maine	82.93	85.97	+3.7	Utah	70.80	74.11	+4.3
Maryland	270.04	282.96	+5.6	Vermont	78.59	82.69	+4.2
Massachusetts	302.51	313.98	+4.0	Virginia	142.79	148.49	+3.8
Michigan	189.23	195.89	+2.1	Washington	152.14	162.38	+2.4
Minnesota	149.79	146.85	-2.2	West Virginia	76.97	78.97	+1.8
Mississippi	110.21	113.87	+3.2	Wisconsin	129.94	133.06	+2.5
Missouri	108.57	111.29	+5.0	Wyoming	23.89	25.50	+3.7
Montana	38.12	39.53	+4.0				
Nebraska	88.76	91.79	+2.5	UNITED STATES	121.46	124.81	+2.4

Percentage Change of Farm Values per Acre

JULY 1960 TO JULY 1961



Data not available for Alaska and Hawaii.

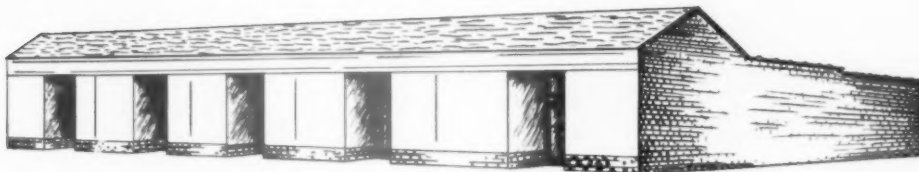


+2.4% UNITED STATES
AVERAGE

LEGEND
PERCENTAGE CHANGE
INCREASE
5% AND OVER
3% TO 4.9%
0% TO 2.9%
DECREASE
0.1% OR MORE

INCREASES IN BUILDING COSTS SINCE 1939

ST. LOUIS
November 1961



COMMERCIAL BUILDING - NO BASEMENT

Content: 115,850 cubic feet
8,075 square feet

Cost 1939: \$22,726
(19.6¢ per cubic foot; \$2.82 per square foot)
Cost today: \$77,358
(66.8¢ per cubic foot; \$9.58 per square foot)
INCREASE OVER 1939 = 240.4%



18-FAMILY BRICK APARTMENT (FRAME INTERIOR)*

Content: 168,385 cubic feet
13,260 square feet

Cost 1939: \$ 60,300
(35.8¢ per cubic foot; \$ 4.55 per sq. ft.)
Cost today: \$198,755
(\$1.18 per cubic foot; \$14.99 per sq. ft.)
INCREASE OVER 1939 = 229.6%



30-UNIT REINFORCED CONCRETE APARTMENT*

Content: 303,534 cubic feet
21,372 square feet

Cost 1939: \$135,000
(44.5¢ per cubic foot; \$ 6.33 per sq. ft.)
Cost today: \$429,863
(\$1.42 per cubic foot; \$20.11 per sq. ft.)
INCREASE OVER 1939 = 218.4%

*Costs include full basement.

(cont. from page 594)

The table and the map on page 596 show farm values per acre by States as estimated by the United States Department of Agriculture from sales. The comparison shown here is between July 1960 and July 1961. Only seven States showed a decline in farm values, but most of these States have been considered as rather good farm States in the past. Indiana showed the biggest drop of any State in farm values, with Iowa running second, Illinois and Minnesota tying for third place, followed by Ohio, New Mexico, and North Dakota. The biggest increase in farm values per acre occurred in Florida, where during the year values rose by 10.4 percent, followed by Delaware with 6.1 percent, Texas with 6.0 percent, California and Maryland with 5.6 percent, Arizona with 5.5 percent, Alabama with 5.4 percent, and Missouri with 5.0 percent.

Replacement costs in November for three rather typical buildings are shown on page 597. These costs are expressed in dollars on a square foot and on a cubic foot basis. It will be noticed that each of the three buildings costs considerably more than three times as much to build now as it did in 1939.

